GOVERNMENT OF INDIA
POWER
LOK SABHA

UNSTARRED QUESTION NO:1693
ANSWERED ON:28.11.2002
CONSTITUTION OF DEEPAK PAREKH COMMITTEE FOR POWER REFORMS
CHANDRA NATH SINGH;SADASHIVRAO DADOBA MANDLIK

Will the Minister of POWER be pleased to state:

(a) whether the Union Government have entrusted the responsibility of evaluating the functioning of State Electricity Boards to the credit Agencies;

(b) if so, the details and reasons therefor;

(c) whether the Deepak Parekh Committee constituted for power reforms has submitted its report to the Government;

(d) if so, the details of the main recommendations of the said committee; and

(e) the reaction of the Government in this regard?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF POWER (SHRIMATI JAYAWANTI MEHTA)

(a) : Yes, Sir. M/s. Credit Rating Information Services of India Limited (CRISIL) and M/s. Investment and Credit Rating Agency Limited (ICRA) have been entrusted by PFC with the task of carrying out rating of the State Electricity Boards/Utilities.

(b) : Government of India is striving for achieving financial turn around of State Electricity Boards (SEBs)/Utilities so as to enable them to become commercially viable. In order to achieve this objective, Government of India have initiated several steps, including reforms and financial performance related assessment of SEBs/Utilities by independent rating agencies. The rating exercise would be a periodic assessments of these SEBs/Utilities, which would capture improvements made by them in future. A view has been expressed that these ratings could be used as one of the tools to provide for a graded response by Ministry of Power to SEBs/Utilities with reference to their achieving these various milestones of reforms agreed to in the Memorandum of Understanding (MoU) signed between the State Governments and the Government of India.

(c) : Deepak Parekh Committee submitted the report of the first phase of Committee`s work on 19.9.2002.

(d) : The main recommendations of the report inter alia, include the following :

1. Structuring of APDRP for Supporting Reform

1.1. APDRP Fund.

? Union Government should ex-ante commit to a level of funding for this programme and agree to transfer it through a defined annual allocation.

? Allocations of the programme should be clearly spelt out and the responsibility of sanctions, disbursals and monitoring of funds utilization under the Programme be vested with a small Empowered Committee, strengthened by independent professionals with financial and technical expertise.

1.2. Eligibility Criteria for accessing assistance under APDRP.

Assistance under APDRP should be made contingent on a State :-

? Signing off on the SEB Dues Settlement Scheme, comprising inter alia, the issue of bonds by the State for past dues and graded curtailment of supply on future default.

? Agreeing to an ex-ante audit of incentive related parameters, viz., Energy input, Cost of energy, Cash Collections from Energy Sales of the present period, and Average Revenue Realisation.

1.3. Support under APDRP
There would be two streams of support from the APDRP Fund :

? One for investment; and

? The other as an incentive based on reduction of the gap between unit cost of supply and revenue realisation (calculated based on the number of units purchased).

Funds from APDRP should also be made available to private distribution companiesin compliance with procedures governing the respective State Government support to private entities, and such assistance be routed via the State Government, through a suitable agreement between the concerned State Government and Private Distribution Company.

1.4. Support for Investment.

? To enable the States to begin to effect improvements, 50% of the first year`s allocation of APDRP funds, i.e. Rs.1,750 crore be made available to the States.

? For subsequent years, the decision to retain or alter the share of support for investment should be based on experience.

? It would be desirable to bring down the share of the support under investment stream and concomitantly increase the share of the support under incentive stream.

? Assistance under this scheme should be leveraged by obtaining a matching contribution from the State that is the Fund should provide 50% of the funds required for a project, the balance 50% funds of the project requirement should be raised by the State.

? Efforts under this segment be directed towards concentrated zones;

? Substantive weightage should be given to investments that are aimed at reducing commercial losses.

1.5 Reform-Linked Incentive Support

? The remaining assistance from the Fund, i.e. , Rs.1,750 crore from the first yearand the allocations for the remaining years under incentive stream should be disbursed as a one-for-two matching grant based on reduction of the gap between unit cost of supply and revenue realisation.

? This reduction must be on an enterprise level, where the enterprise is defined as a corporate body or a Electricity Board or Department. For instance, improvement in one part of the utility, such as a circle offset by deterioration in another part of the utility, in another circle, does not qualify for incentive support. However, in a state where the distribution business is undertaken by different corporate entities, the reduction in gap by each of those entities should be individually eligible for calculation of the incentive.

? The incentive to enterprises be routed through the respective State Governments.

? In effect, the incentive will be matched in the ratio of 1:2 (i.e. for every 2 rupees of loss reduction, the incentive will be one rupee), to the overall reduction in the gap at enterprise level, after adjusting for the factors that are extraneous to the operational performance. However, on review of availability of funds, this proportion of incentives could be considered for improvement.

? To reward performance over a reasonable length of time, performance be rewarded on a yearly basis, preferably over the financial year 2000-01 is to be taken as the base year of reference for calculating the improvements eligible for performance improvement.

(e) : This report is under consideration of the Government.